

# BEST Financial Solutions December Newsletter

**Whatever your financial challenge**

Welcome to December's issue of the Best Financial Solutions newsletter. As always I hope you'll enjoy it and welcome your feedback. In particular, please let me know of any topics you'd like me to cover in future.

Wishing you a Merry Christmas and a happy, healthy and prosperous New Year.

*Tony*

Tony Leonard Cert PFS  
Director

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Inside this issue:

- What the Base Rate falls mean for you – strategies, collars and rates.
- The New Employment and Support Allowance
- Changes to State Retirement Age
- News in brief

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## What the 2% cut in the Bank Base rate means to you



For everyone on a tracker mortgage the effects of the cut will soon be evident in your December and January mortgage payments.

With the Bank of England Base rate now being 2% lower than in September someone with a £150,000 mortgage on a repayment basis over 20 years will see their payments reduce by £165 p.m. approximately.

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Registered address: Cornelius House 178/180 Church Road Hove BN3 2DJ

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## Strategies

- Keep your mortgage payment the same by overpaying the difference each month. This overpayment would have the effect of shortening your mortgage term by four years five months and saving £49,807 in interest, based on the above example
- Increase your pension contributions by this sum to boost your retirement income
- Reduce expensive credit card debt

For those of you on a fixed rate you do have the peace of mind and security of knowing exactly what you'll be paying each month. Interest rates will be going back up again once the recovery kicks in.

## Collars

Despite inflation easing, the Bank Base Rate is expected to fall further. Some lenders like Nationwide and Halifax have imposed 'Collars' on their tracker rates, meaning that they won't pass on interest rate cuts to your mortgage rate if the Bank Base Rate falls below 3.25% or 3%. Others such as Abbey and Cheltenham & Gloucester will pass on all cuts.

## Rates

We've seen most tracker rates disappear from the market as lenders re-price. Fixed rates can now be obtained at less than 4%. First-time buyers also remain largely priced out as there are still very few deals above 90 % LTV (Loan To Value). Those that do have high rates – over 6.5% and also tie you in for five years. Buy-to-Let mortgages require a 25% deposit.

## **Your property may be repossessed if you do not keep up repayments on your mortgage**

For mortgages we can be paid a fee, usually £400 or by commission.

The FSA does not regulate some forms of Buy to Let mortgages

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### The New Employment and Support Allowance (ESA)

Your ability to generate income through working is the biggest asset you'll have, but



what would happen if you were unable to work for a long period of time due to accident or sickness? What help would the state provide?

The ESA replaced the State Incapacity benefit from 27th October 2008 and is the amount that you'd be able to claim from the state in benefits if you couldn't work due to illness or injury. The government believes that change is needed so that the focus is on what a person can do rather than

what they cannot do.

How much is the figure? Not a lot – between £47.95 and £74.50 p.w. depending on whether you are employed or self-employed.

- You have to take part in an **assessment** which will take place during the first 13 weeks of a claim. This assessment is **based on your ability to work rather than the extent of your illness or injury**. If you fail the assessment, the benefits stop and you will have to be considered for Income Support instead.
- You will be placed in one of two categories which will determine the level of benefits you receive.
- Category one - a reasonable expectation that you will be able to return to work again - £60.50 per week plus a Work Related Activity Component (WRAC), of £24 a week. Payment of the WRAC is conditional on you attending regular back-to-work interviews which aim to measure your progress against a back-to-work programme.
- Category two - you are severely incapacitated and not expected to return to work again in the future - also £60.50 per week plus a Support Component of £29 per week. You might also qualify for other state benefits, such as Disability Living Allowance.

These sums are considerably less than your committed monthly expenditure. If you haven't got long term sick pay cover at work, it is this shortfall that you need to plan for, **either via savings or insurance** for a significant period of time.

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### Changes to the State Retirement Age

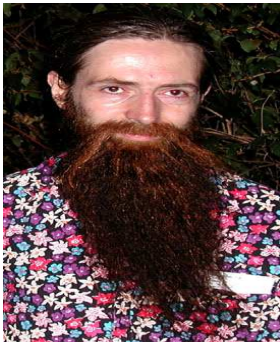
The female retirement age is being phased increased from age 60 to 65 and for men from 65 to 68. To work out when you will expect to receive your state pension, please click on this link: <http://www.thepensionservice.gov.uk/state-pension/age-calculator.asp>

### Looking forward to Retirement?

- Have you recently changed jobs?
- Do you have any deferred or preserved pensions from past employment that you would like to consolidate or would like some advice on?
- Do you have access to an employer's scheme?
- Have you reviewed your current pension provision in the last few years?

How much is it actually going to pay you? £10,000 might buy you a one-off luxury trip round the world, but it is not so impressive if you need to plan for many years of income in retirement.

As healthcare and living standards improve, so does our longevity. A male aged 65 is now expected to live to almost 83<sup>†</sup> and a female even longer. This, along with the attraction of early retirement, means some of us could be looking forward to a happy retirement lasting perhaps more than 30 years.



According to this man - Dr Aubrey de Grey, we could all be living a lot longer – potentially to age 1,000!

<http://news.bbc.co.uk/1/hi/uk/4003063.stm>

I have stopped my authorisation on pensions but I have good relationships with some trusted IFA's who'll be able to review your options on a free, no obligation basis. Please get in touch if you'd like to find out more.

<sup>†</sup> Source: National Statistics Office and Government Actuaries

Department, Life tables published in 2006, based on 2007 estimated figures for life expectancy. [www.statistics.gov.uk](http://www.statistics.gov.uk) and [www.gad.gov.uk](http://www.gad.gov.uk)

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## News in brief

Charity of the month: Breast Cancer Care

- Around 46,000 people are diagnosed with breast cancer each year – that's one person every 12 minutes
- Breast cancer can run in families, but fewer than 10% of cases are as a result of family history

Do find out more and donate: <http://www.breastcancercare.org.uk/>

The Personal Finance Society is the leading professional body for financial advisers. With over 24,000 members it promotes the highest standards of professionalism, encouraging public confidence through knowledge and standards of behaviour. I've been a member since 1996 when I joined the industry and attended their annual two-day conference this month in Birmingham, which was very worthwhile.



In November I attended the launch of Prudential's revised 'Pru Protect' policy:

(<http://www.pruprotect.co.uk/customers.htm#>)

At the event I had the opportunity to hear Austin Healey speak - more about rugby than dancing. As you can see, he was thrilled to meet me!

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**“Too many people spend money they don't have, to buy things they don't want, to impress people they don't like”:** Will Smith

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We do not offer advice on pensions and act as introducers only

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